

199—19.18(476) Capital infrastructure investment automatic adjustment mechanism.

19.18(1) Eligible capital infrastructure investment. A rate-regulated natural gas utility may file for board approval a capital infrastructure investment automatic adjustment mechanism to allow recovery of certain costs from customers. To be eligible for recovery through the capital infrastructure investment automatic adjustment mechanism, the costs shall either:

- a. Meet the following criteria:
 - (1) The costs are beyond the direct control of management;
 - (2) The costs are subject to sudden, important change in level;
 - (3) The costs are an important factor in determining the total cost of capital infrastructure investment to serve customers; and
 - (4) The costs are readily, precisely, and continuously segregated in the accounts of the utility; or
- b. Be costs for a capital infrastructure investment which:
 - (1) Does not serve to increase revenues by directly connecting the infrastructure replacement to new customers;
 - (2) Is in service but was not included in the gas utility's rate base in its most recent general rate case; and
 - (3) Replaces or modifies existing infrastructure required by state or local government action, to meet state or federal natural gas pipeline safety regulations, or to otherwise enhance safety as approved in advance by the board. The utility shall make an annual filing with the board to seek advance determination of projects that meet this criterion.

19.18(2) Determination of recovery factor. The utility may recover a rate of return and depreciation expense associated with eligible capital infrastructure investments described in subrule 19.18(1). The allowed rate of return shall be the approved average cost of debt from the utility's most recent general gas or electric rate review proceeding before the board. Depreciation expense shall be based upon the depreciation rates allowed by the board in the utility's most recent general gas rate review proceeding before the board.

19.18(3) Recovery procedures.

a. To recover capital infrastructure investment costs that meet the criteria in paragraph 19.18(1) "a" through an automatic adjustment mechanism, the utility is required to obtain prior board approval of the automatic adjustment mechanism. The utility shall file information in support of the proposed automatic adjustment mechanism that includes:

- (1) A description of the capital infrastructure investment and the costs that are proposed to be recovered through the automatic adjustment mechanism;
- (2) An explanation of why the costs of the capital infrastructure investment are beyond the control of the utility's management;
- (3) An exhibit that shows the changes in level of the costs of the capital infrastructure investment that are proposed to be recovered, both historical and projected;
- (4) An explanation of why these particular capital infrastructure investment costs are an important factor in determining the total cost of capital infrastructure investment to serve customers;
- (5) A description of proposed recovery procedures, if different from the procedures described in paragraph 19.18(3) "c"; and
- (6) The length of time that the automatic adjustment mechanism will be in place.

b. Recovery of capital infrastructure investment costs that meet the requirements in paragraph 19.18(1) "b" may be made by the utility by filing a proposed tariff with a 30-day effective date no later than April 1 of each year. Only one tariff filing to recover capital infrastructure investment costs shall be made in a 12-month period. After December 13, 2017, any recovery previously approved shall be aligned with an April 1 filing period when the utility next seeks recovery under this rule. The utility shall file information in support of the proposed automatic adjustment rates that includes:

- (1) Proof that the capital infrastructure investment is a project that was approved in advance by the board as specified in 19.18(1) "b"(3).
- (2) The location, description, and costs associated with the project.

(3) The cost of debt from the utility's most recent general gas or electric rate review proceeding before the board and the applicable depreciation rates from the utility's most recent general gas rate review proceeding before the board.

(4) The calculations showing the total costs that are eligible for recovery and the rates that are proposed to be implemented.

(5) The utility shall provide supporting documentation, including but not limited to work orders and journal entries, to the board staff or the office of consumer advocate upon request.

c. The utility shall calculate the rates for the recovery of the capital infrastructure investment through the automatic adjustment mechanism over the 12-month period beginning from the effective date of the tariff, unless otherwise ordered by the board. The calculated rate shall include a reconciliation that reconciles the actual revenue recovered through the automatic adjustment mechanism with the costs of the eligible capital infrastructure investments proposed to be recovered over the previous collection period. Unless otherwise specified in an approved tariff, the capital infrastructure investment factor shall be recovered by a fixed monthly surcharge to customers, to be determined by totaling eligible investment costs for the prior calendar year, adjusted for the reconciliation amount, then dividing the total recovery amount among customer classes based upon the utility's most recent approved cost of service study, dividing the class recovery amounts by the number of months in the recovery period, and then dividing the assigned costs by the number of customers in each respective class. The recovery amount will be limited to annual depreciation plus a return on the undepreciated balance based on the cost of debt.

d. Recovery of a return on and return of capital infrastructure investment that is eligible for recovery pursuant to an automatic adjustment mechanism, including any recoveries approved prior to December 13, 2017, shall continue until the effective date of temporary rates in a subsequent general rate proceeding or, if temporary rates are not implemented, until final rates approved by the board in the utility's next general rate proceeding. To continue recovery, a utility shall file a proposed tariff each year. Once temporary or final rates are effective, the automatic adjustment mechanism shall reset to zero. No more than five years of capital investment recovery, including any recoveries approved prior to December 13, 2017, shall be allowed between general rate proceedings unless otherwise approved by the board. A utility may continue recoveries allowed under this rule until the investments are fully depreciated or until the utility's next general rate proceeding.

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